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Utah's Copper King Mining files for Chapter 11

Beaver County » Eighty-five employees have been furloughed.

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Copper King Mining Corp., a Utah-based company that built and operated a \$60 million copper mill just outside of Milford in Beaver County, has filed for Chapter 11 bankruptcy.

The company maintains the filing will allow it to reorganize its debts and bring in additional capital so it can emerge from bankruptcy with a healthy balance sheet and a more-competitive cost structure.

Copper King's management has been working to bring in new capital, but it has been a challenge, said spokesman Charles A. Moskowitz, who noted the company furloughed its 85 employees several weeks ago.

"One of the main issues we faced was that our first lien holders [existing lenders] didn't want to see their positions compromised by new lenders" who also were demanding security for their loans, he said.

Moskowitz maintained it will be easier for the company to arrange new financing while operating as a "debtor in possession" under court protection. Copper King filed for Chapter 11 in the U.S. Bankruptcy Court for Nevada.

Yet capital wasn't the only problem plaguing the mining concern.

Earlier this month, in a summary report on its operations, Copper King told shareholders that it had suspended copper mining and milling operations. Among problems detailed:

» The process used to extract copper, gold and silver from the ore taken from the company's Hidden Treasure Mine was uneconomical.

» Copper King had run into problems with the way it had handled its mill tailings -- the material left over after the metals were extracted from the ore -- and needed to get into compliance with state and federal environmental regulations.

» And, the company had defaulted on an agreement to supply magnetite ore to its customers and was unable to fulfill that obligation, worth more than \$10 million.

Beaver County Commissioner Chad Johnson said he knew Copper King had run into financial problems but was surprised to hear it had filed for Chapter 11.

"They have been a good business to have in the county," he said. "We're hopeful that they can get their problems worked out."

Earlier this year, Copper King went through a management shake-up that resulted in prospector Mark Dotson, the company's long-time guiding light, being replaced as chief executive. Dotson, however, remains a company director, Moskowitz said.

At that time, the board reported that it had established several committees, including a finance and audit committee, to intensify the company's efforts to establish regular financial reporting and improve its corporate governance and record keeping.

"When they got into doing the real work of bringing the company's accounting into the 21st century, they realized it was going to take them longer than expected," Moskowitz said.

Copper King's shares, which trade over the counter and are listed in the Pink Sheets, closed Wednesday at three one-thousandths (.0003) of a cent. The 52-week high was 1.9 cents, reached on Sept. 18, 2009.

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